

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**SB 942 – HB 1717**

March 7, 2011

**SUMMARY OF BILL:** Defines “business” under the Hall Income Tax (HIT), to mean any entity, including, but not limited to, a corporation, trust, or company that is headquartered in Tennessee or has its principal business operations located in Tennessee, and has at least 60 percent of its employees located in Tennessee. Authorizes for any taxpayer a tax credit, equal to the tax paid on dividends from any stock of a business as defined, to be used against the taxpayer’s HIT liability.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – Net Impact - \$5,767,800**

**Decrease Local Revenue – Net Impact - \$3,543,800**

Assumptions:

- According to the Department of Revenue, there is no data available to determine the true impact of this bill, but it is believed that the loss of revenue is at least five percent of HIT collections.
- The current Fiscal Review Committee estimate for HIT collections is \$195,520,000 for FY11-12.
- HIT collections remain constant in subsequent years.
- The recurring decrease in HIT collections will be \$9,776,000 ( $\$195,520,000 \times 5.0\%$ ).
- Pursuant to Tenn. Code Ann. § 67-2-119, the state retains 62.5 percent of HIT collections and 37.5 percent is apportioned to local governments.
- Fifty percent of tax savings will be spent on other sales-taxable goods and services.
- A state sales tax rate of 7.0 percent and an average local option sales tax rate of 2.5 percent.
- The recurring decrease in state revenue will be \$5,767,840 [ $(\$9,776,000 \times 62.5\%) - (\$9,776,000 \times 50.0\% \times 7.0\%)$ ].
- The recurring decrease in local government revenue will be \$3,543,800 [ $(\$9,776,000 \times 37.5\%) - (\$9,776,000 \times 50.0\% \times 2.5\%)$ ].

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc